

TITLE LOANS
AND
MONTANA CONSUMERS



Montana consumers should take special care when engaging in Title Loan transactions.

Montana law protects consumers who enter into short-term, high rate loans with lenders from abuses that occur in the credit market place.

To protect yourself, follow these guidelines:

1. Contact the Division of Banking and Financial Institutions of the Department of Administration at 406-841-2920 to determine if the lender is licensed by the Division.
2. Review the written agreement between the lender and you to make sure that the following information is included:
 - a. the name, address and phone number of the lender making the title loan, and the signature, initials or other written means of identifying the individual employee who signs the agreement on behalf of the lender;
 - b. an itemization of the fees and interest charges to be paid by the consumer;
 - c. a clear description of the consumer's payment obligations under the loan; and
 - d. a statement providing an opportunity to rescind the agreement through 5:00 pm the first business day after execution of the transaction.

A lender may not charge any interest, fees or charges unless authorized by law.

The maximum rate of interest that a title lender shall contract for and receive for making and carrying any title loan authorized by this part may not exceed:

1. 25% for each 30-day period for the portion of a loan that does not exceed \$2,000;
2. 18% for each 30-day period for the portion of a loan exceeding \$2,000 but not exceeding \$4,000; and
3. a 10% percentage rate for each 30-day period, plus fees, on the portion of a loan that exceeds \$4,000.

Title lenders may charge their actual costs of recording liens on borrowers' certificates of title.

PROHIBITED ACTS OF LENDER

A title lender cannot:

1. accept a pledge from a person under 18 years of age;
2. make any title loan agreement giving the title lender any recourse against the borrower other than the rights granted title lenders under the Montana Title Loan Act;
3. accept any waiver, in writing or otherwise, of any right or protection accorded a borrower pursuant to the Montana Title Loan Act;
4. fail to exercise reasonable care to protect from loss or damage certificates of title or titled personal property in the physical possession of the title lender;
5. purchase titled personal property for personal use that was repossessed from the borrower by the title lender;
6. enter into a title loan agreement unless the borrower presents clear title to the titled personal property at the time that the loan is made;
7. hold a title for more than 30 calendar days without perfecting the lender's security interest;
8. threaten to use or use a criminal process in this or any other state to collect on the loan made to a consumer in this state or any civil process to collect the payment of title loans not available to title lenders under the Montana Title Loan Act;
9. use any device or title loan agreement that would have the effect of charging or collecting more fees, charges, or interest than those allowed by the Montana Title Loan Act;
10. engage in unfair, deceptive, or fraudulent practices in the making or collection of a title loan;
11. knowingly violate any provision of or rule promulgated pursuant to the Montana Title Loan Act; or
12. include any of the following provisions in the title loan agreement:
 - (i) a hold harmless clause, provided that a title lender is not liable to the borrower or a third party for injuries to or damages sustained by the borrower or a third party as the result of an accident involving personal property to which the title lender holds the certificate of title;
 - (ii) a confession of judgment clause;
 - (iii) any assignment of or order for payment of wages or other compensation for services;
 - (iv) a provision in which the consumer agrees not to assert any claim or defense arising out of the contract; or
 - (v) a waiver of any provision of the Montana Title Loan Act.

If a title lender enters into a transaction contrary to this section, any lien or security interest obtained by the title lender is void.

REMEMBER:

Always ask to review and understand the written loan agreement before signing the agreement. Seek advice of someone trustworthy and knowledgeable. Contact a consumer credit counselor, attorney, or financial advisor.